

Message Text

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USADB

TREASURY FOR FINKEL

EO 11652 NA

TAGS: EAID, EFIN

SUBJ: RESPONSES TO SENATE FOREIGN RELATIONS COMMITTEE QUESTIONS

REF TRSY R211455Z NOV 73

FOLLOWING ARE RESPONSES FROM ADB TREASURER TO QUESTIONS
NOS. 1, 2 AND 6 OF REFTEL:

1. QUESTION 1: ONLY BONDS FLOATED BY BANK IN US CAPITAL
MARKET WERE THOSE ISSUED IN APRIL 1971, NAMELY (A) \$25
MILLION OF 7-3/4 PERCENT TWENTY-FIVE YEAR BONDS, AND
(B) \$25 MILLION OF 6-1/2 PERCENT FIVE-YEAR NOTES. BOTH
ISSUES WERE RATED "AAA" BY STANDARD AND POOR'S AT TIME OF
ISSUE. THESE BONDS WERE UNDERWRITTEN BY SYNDICATE COMPOSED
OF ABOUT 50 LEADING US SECURITIES HOUSES AND BANKS HEADED
BY KUHN, LOEB AND CO. AND THE FIRST BOSTON CORP. TO BEST
OF BANK'S KNOWLEDGE, THERE HAS BEEN NO RELUCTANCE AMONG
US UNDERWRITERS TO UNDERTAKE FLOATATION OF BANK'S BOND ISSUE.

2. QUESTION NO. 2: CURRENT COST OF BORROWING IN MOST OF
WORLD CAPITAL MARKETS, EXCEPTING SWITZERLAND WHICH IS
A RESTRICTED AND CONTROLLED MARKET, IS LIKELY TO BE
HIGHER THAN CURRENT LENDING RATE OF THE BANK, WHICH IS
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7.5 PERCENT PER ANNUM.

3. QUESTION NO. 6: ARTICLE 10 OF ARTICLES OF AGREEMENT
OF ASIAN DEVELOPMENT BANK PROVIDES FOR SEPARATION OF
OPERATIONS BY REQUIRING, AMONG OTHER THINGS, THAT:

"A. THE ORDINARY CAPITAL RESOURCES AND THE SPECIAL FUNDS
RESOURCES OF THE BANK SHALL AT ALL TIMES AND IN ALL RESPECTS
BE HELD, USED, COMMITTED, INVESTED OR OTHERWISE DISPOSED OF
ENTIRELY SEPARATE FROM EACH OTHER. THE FINANCIAL STATEMENTS
OF THE BANK SHALL SHOW THE ORDINARY OPERATIONS AND SPECIAL
OPERATIONS SEPARATELY.

B. THE ORDINARY CAPITAL RESOURCES OF THE BANK SHALL UNDER
NO CIRCUMSTANCES BE CHARGED WITH, OR USED TO DISCHARGE,
LOSSES OR LIABILITIES ARISING OUT OF SPECIAL OPERATIONS
OR OTHER ACTIVITIES FOR WHICH SPECIAL FUNDS RESOURCES WERE
ORIGINALLY USED OR COMMITTED."

ACCORDINGLY, SEPARATE BANK ACCOUNTS AND COMPLETELY SEPARATE
SETS OF BOOKS ARE MAINTAINED FOR ASSETS AND LIABILITIES OF
ORDINARY CAPITAL RESOURCES AND SPECIAL FUNDS RESOURCES. A
PROJECT WHICH IS FINANCED BY A "BLEND" OF ORDINARY CAPITAL
RESOURCES AND SPECIAL FUNDS RESOURCES APPEARS IN BANK'S
BOOKS AS TO SEPARATE LOANS, AN ORDINARY LOAN AND A SPECIAL
LOAN, EACH FINANCED SEPARATELY FROM THE ORDINARY AND CON-
CESSIONAL RESOURCES, RESPECTIVELY. CONSEQUENTLY, A SOFT
LOAN CANNOT BE USED TO REPAY PART OF A HARD LOAN, OR
VICE VERSA.

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